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PTQ3338

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B1, 1.4(B), 1.4(D)

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ACTION WHA-00

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| INFO | LOG-00 | NP-00 | AID-00 | CEA-01 | CIAE-00 | COME-00 | CTME-00 |
| | INL-00 | DODE-00 | DOEE-00 | DOTE-00 | PERC-00 | SRPP-00 | DS-00 |
| | EAP-00 | EB-00 | EXIM-01 | E-00 | FAAE-00 | VC-00 | FRB-00 |
| | H-01 | TEDE-00 | INR-00 | ITC-01 | LAB-01 | L-00 | VCE-00 |
| | AC-01 | NSAE-00 | OMB-01 | OPIC-01 | PA-00 | PM-00 | PRS-00 |
| | ACE-00 | P-00 | SP-00 | IRM-00 | SSO-00 | SS-00 | STR-00 |
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O 101845Z DEC 02
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC IMMEDIATE 8914
INFO AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY MEXICO
AMEMBASSY QUITO
USCINCSO MIAMI FL
NSC WASHDC
DEPT TREAS WASHDC
USINT HAVANA

C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 003940

DEPT ALSO FOR DS/IP/WHA, S/S-O/DS, AND DS/DSS/ITA
NSC FOR LLORENS

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SOUTHCOM ALSO FOR POLAD
TREASURY FOR OASIA AARON JONES

E.O. 12958: DECL: 11/14/2012
TAGS: ECON, EFIN, PGOV, VE
SUBJECT: 10 DEC 02 VENEZUELA STRIKE UPDATE: TRANSPORT,
FINANCE, INDUSTRY, ETC.

REF: CARACAS 3929

CLASSIFIED BY: AMBASSADOR CHARLES S. SHAPIRO: REASON 1.5(B), (D).

SUMMARY

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1. (C) ON DECEMBER 10, VENEZUELA'S GENERAL STRIKE CONTINUES TO BE DOMINATED BY DEVELOPMENTS IN THE OIL SECTOR. WHILE SOME GASOLINE CONTINUES TO MAKE IT TO THE SERVICE STATIONS, ECONOMIC DISRUPTIONS CONTINUE TO ARISE. STRIKING CUSTOMS OFFICIALS ARE GAINING SIGNIFICANCE IN THE STRIKE, AS THEIR ABSENCE EFFECTIVELY HALTS ANY SHIPPING THAT WAS SO FAR UNAFFECTED BY FUEL SHORTAGES. STRIKING PILOTS HAVE GROUNDED ALL DOMESTIC AIRLINES, AND IF CUSTOMS AGENTS ABANDON THE AIRPORTS, INTERNATIONAL FLIGHTS MAY ALSO BE CANCELLED. INTERCITY BUSES CONTINUE TO STRIKE, AND SEVERAL STATIONS OF THE CARACAS SUBWAY SYSTEM HAVE CLOSED FOR SECURITY REASONS. THE SPREAD OF THE STRIKE TO THE ANACO NATURAL GAS PLANT HAS SIGNIFICANTLY CURTAILED PRODUCTION AT THE STATE-OWNED CVG ALUMINUM COMPANY. IN THE LATEST MANIFESTATION OF TRANSPORT DISRUPTIONS AFFECTING OTHER SECTORS, HOSPITALS REPORT THAT

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THEY TOO ARE BEGINNING TO RUN SHORT OF SUPPLIES. SEE SEPTTEL FOR DETAILED REPORTING ON THE OIL AND FOOD SECTORS. END SUMMARY.

TRANSPORT CONTINUES TO SLOW

2. (C) [REDACTED]

[REDACTED] TOLD ECONCOUNS ON DECEMBER 10 THAT RIVER PILOTS ON THE ORINOCO RIVER HAVE RETURNED TO WORK, EASING PRESSURE IN THE STEEL AND ALUMINUM SECTORS, WHICH DEPEND ON RIVER TRANSPORT TO MOVE THEIR PRODUCTS. THE WORK STOPPAGE IN THE AVIATION SECTOR HAS DEEPENED HOWEVER, WITH ALL DOMESTIC AIRLINES NOW AT LEAST PARTIALLY GROUNDED DUE TO A STRIKING PILOTS' UNION. AIR TRAFFIC CONTROLLERS AT MAIQUETIA AIRPORT IN CARACAS HAVE ASSURED EMBOFF THAT THEY DO NOT PLAN TO JOIN THE STRIKE, BUT SOME AIR TRAFFIC CONTROLLERS AT REGIONAL AIRPORTS HAVE ALSO WALKED OFF THE JOB, CAUSING FURTHER DISRUPTIONS. INTERNATIONAL AIRLINES CONTINUE TO OPERATE TO CARACAS AND MARACAIBO, THOUGH THERE IS CONCERN THAT AN EFFECTIVE STRIKE BY CUSTOMS OFFICIALS MAY FORCE THE SUSPENSION OF INTERNATIONAL FLIGHTS. THE CUSTOMS STRIKE IS ALSO TAXING THE PORTS. ALL PORTS ARE EFFECTIVELY CLOSED, AND ONE OF THE POSSIBLE EXPLANATIONS IS AN ABSENCE OF CUSTOMS INSPECTORS. (SEE BELOW FOR DETAILS OF THE STRIKING CUSTOMS AGENCY.) THE INTERCITY BUS SERVICE CONTINUES TO STRIKE, AND SEVERAL STATIONS OF THE CARACAS SUBWAY SYSTEM LOCATED NEAR DEMONSTRATION SITES (ALTAMIRA, PARQUE DEL ESTE, CHACAO, AND

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LOS DOS CAMINOS) ARE CLOSED DECEMBER 10. ACCORDING TO SUBWAY
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SPOKESMEN, THE REASON FOR THE CLOSURES IS SECURITY CONCERNS.

CUSTOMS SERVICE BECOMES PIVOTAL

3. (C) IN ADDITION TO TRANSPORT PROBLEMS ARISING FROM
SHORTAGES --REAL OR PERCEIVED -- IN FUEL SUPPLIES, STRIKING
CUSTOMS OFFICIALS NOW PRESENT ANOTHER OBSTACLE TO SHIPMENT OF
PRODUCTS. ALTHOUGH OFFICIAL STATEMENTS FROM REPRESENTATIVES
OF SENIAT, THE NATIONAL CUSTOMS AND TAX AGENCY, SUGGEST THE
STRIKE AMONG CUSTOMS EMPLOYEES IS FAR FROM COMPLETE, REPORTS
FROM PORTS AND THE AIRPORTS SUGGEST OTHERWISE. PORTS REPORT
THAT THEY ARE CLOSED DUE TO THE ABSENCE OF CUSTOMS
INSPECTORS, AND AIRPORT SOURCES INDICATE THAT THE SHORTAGE OF
CUSTOMS INSPECTORS MAY SOON RESULT IN THE SUSPENSION OF
INTERNATIONAL FLIGHTS. (NOTE: EMBASSY SHIPPING SPECIALIST
REPORTS THAT HER SENIAT CONTACTS AT THE PORTS REMAIN ON THE
JOB. ACCORDING TO THEM, THE PROBLEM AT THE PORTS IS NOT SO
MUCH THE ABSENCE OF CUSTOMS PERSONNEL -- ALTHOUGH SOME
EMPLOYEES HAVE STAYED HOME -- AS THE ABSENCE OF PRIVATE
SECTOR PERSONNEL SUCH AS EXPEDITORS AND WAREHOUSE EMPLOYEES.
STILL, THE RESULT IS THE SAME. PORTS ARE CLOSED.) SEE
SEPTTEL REPORTING FOR ADDITIONAL DETAILS ON THE CUSTOMS STRIKE.

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BANKS JOIN THE STRIKE -- THEY'LL WORK HALF DAYS

4. (C) AFTER REMAINING CLOSED ON DECEMBER 9 IN A SHOW OF
SYMPATHY FOR DEMONSTRATORS KILLED ON DECEMBER 6, THE BANKING
SECTOR DECIDED ON DECEMBER 10 TO SUPPORT THE STRIKE BY
ADOPTING A MODIFIED SCHEDULE, WORKING FROM ONLY 9 AM UNTIL 12
PM DAILY. [REDACTED]

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[REDACTED] PREDICTED THAT THIS NEW SCHEDULE
WOULD NOT MEET THE NEEDS OF CUSTOMERS. ALTHOUGH PEOPLE ARE
NOT YET FACING PROBLEMS IN GETTING CASH, [REDACTED] MENTIONED
THAT CUSTOMERS ARE HAVING TROUBLE PAYING THEIR BILLS. HE
EXPECTED THAT A SHORT-TERM INCREASE IN THE LEVEL OF BAD LOANS
WOULD BE A RESULT OF THE ONGOING STRIKE.

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5. (C) [REDACTED]
[REDACTED] TOLD EMBOFF ON DECEMBER 10 THAT THE BCV SUSPENDED
THE DAILY FOREIGN EXCHANGE AUCTIONS DUE TO A LACK OF DEMAND
IN THE CURRENCY MARKETS. THE DECEMBER 10 SUSPENSION OF THE
AUCTIONS IS THE FIRST SUCH SUSPENSION SINCE VENEZUELA
RETURNED TO A FLOATING CURRENCY REGIME IN FEBRUARY 2002.

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[REDACTED] NOTED THAT THE FOREIGN EXCHANGE POSITION OF
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THE BANKS IS VERY NEAR THE LEGALLY IMPOSED MAXIMUM LEVEL OF 15 PERCENT OF THEIR CAPITAL HOLDINGS, SO THEIR DEMAND FOR DOLLARS HAS BEEN CHECKED. AS A RESULT OF THE LOW DEMAND FOR DOLLARS, THE BOLIVAR CONTINUES TO MAINTAIN A STRONG POSITION, AT 1310/USD.

GAS SHORTAGES BRINGING DOWN INDUSTRY

6. (C) WORKERS AT PETROLEROS DE VENEZUELA'S ANACO NATURAL GAS FACILITY, WHICH SUPPLIES 75 PERCENT OF VENEZUELA'S NATURAL GAS NEEDS, BEGAN CUTTING PRODUCTION DECEMBER 9 IN SUPPORT OF THE STRIKE. ANACO MANAGEMENT SEEMS TO BE ROUTING THE REDUCED PRODUCTION AWAY FROM THE INDUSTRIAL SECTOR IN ORDER TO MAINTAIN SUPPLIES TO POWER GENERATORS. AS A RESULT, STATE-OWNED ALUMINUM COMPANY CVG SEEMS TO BE JOINING THE STRIKE, AS MUCH AS A RESULT OF A LACK OF NATURAL GAS TO RUN THE SMELTERS AS ANY CLEAR PRO-STRIKE SENTIMENT. (NOTE: WE HAVE RECEIVED A REPORT THAT BOLIVARIAN CIRCLES FROM PUERTO ORDAZ HAVE SEIZED CONTROL OF THE ANACO FACILITY TO FORCE A RENEWAL OF GAS PRODUCTION.

HOSPITAL SUPPLIES RUNNING SHORT

7. (C) [REDACTED]

[REDACTED] TOLD EMBOFF ON DECEMBER 10 THAT HOSPITALS ARE BEGINNING TO RUN SHORT OF BASIC SUPPLIES. HE SAID HE HAD APPROACHED THE GOV REGARDING ASSISTANCE IN TRANSPORTING
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SUPPLIES TO HOSPITALS IN ORDER TO AVOID A SERIOUS CRISIS.

COMMENT

8. (C) WHILE THE GOV HAS SO FAR MANAGED TO MAINTAIN THE MOVEMENT OF GASOLINE SUPPLIES IN AT LEAST A LIMITED FASHION, THE IMPACT OF THE ONGOING ECONOMIC DISRUPTIONS CONTINUES TO SPREAD. ALTHOUGH IT IS NOT CLEAR HOW COMPLETELY THE STRIKE IS AFFECTING THE CUSTOMS AGENTS, THE LOSS OF THE ABILITY TO PROCESS IMPORTS AND EXPORTS WILL PROVE TO BE A SERIOUS BLOW, AS FACTORIES CLOSE THEIR DOORS FOR LACK OF PARTS NECESSARY FOR PRODUCTION. BETWEEN HOBBOLED DOMESTIC TRANSPORT AND THE BOTTLENECK AT THE PORTS, THIS STRIKE MAY NOW HAVE THE INGREDIENTS NECESSARY TO CAUSE A SIGNIFICANT ECONOMIC PINCH

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THAT CANNNOT BE IGNORED.
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